

## Message Text

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ACTION ARA-14

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 2436

INFO ALL USCONS MEXICO POUCH

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E. O. 11652: GDS

TAGS: PINT, PORG, PEPR, PARM, SHUM, ENRG, MX

SUBJECT: BIMONTHLY HIGHLIGHTS, JULY AND AUGUST 1978

1. SUMMARY: IN THE AREA OF INTERNATIONAL RELATIONS, MEXICO HAS DECIDED TO TAKE A MORE ACTIVE ROLE IN THE OAS AND THE UN, AND PLANS TO SEEK A UN SECURITY COUNCIL SEAT IN THE GA 1980 ELECTION. MEXICO HOSTED A REGIONAL MEETING ON CONVENTIONAL ARMS RESTRAINT AUG 21-24, AND ITS REPRESENTATIVES ARE EXPECTED TO BE ACTIVE IN THE GENEVA MEETING ON ARMS CONTROL. GOM IS CONCERNED ABOUT EVENTS IN NICARAGUA AND BELIEVES SOMOZA'S DEPARTURE IS KEY TO LONG-TERM SOLUTION. THE MEXICAN CHURCH INVITED POPE JOHN PAUL I TO ATTEND THE CELAM CONFERENCE TO BE HELD IN PUEBLA OCTOBER 12-28.

2. ON THE DOMESTIC SCENE, A MAJOR MEXICAN DRUG TRAFFICKER WAS ARRESTED AND THEN RELEASED ON GROUNDS OF INSUFFICIENT EVIDENCE. THE PRI HELD ITS NATIONAL ASSEMBLY AND ELECTED SANSORES PEREZ AS PRESIDENT AND CARVAJAL AS SECRETARY GENERAL. SANSORES DECLARED THE PRI A PARTY OF THE WORKERS. SEVERAL TOP LEVEL CHANGES WERE MADE IN THE SECRETARIAT OF GOBERNACION. THE SECRETARIAT OF AGRARIAN REFORM EXPROPRI-  
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ATED SEVERAL LARGE LANDHOLDINGS IN LATE AUGUST. A HUMAN RIGHTS COMMITTEE LAUNCHED A CAMPAIGN TO OBTAIN AN AMNESTY FOR POLITICAL PRISONERS IN MEXICO.

3. ON THE ECONOMIC FRONT, PEMEX CONCLUDED A FIVE-YEAR CONTRACT TO SELL CRUDE OIL TO SPAIN, BUT REMAINS STALEMATED IN ITS TALKS WITH THE US ON NATURAL GAS. MEXICO

LIBERALIZED SOME OF ITS IMPORT REQUIREMENTS ON CHEMICALS AND AUTOMOBILE PARTS. WE EXPECT CHANGES IN ITS INDUSTRIAL POLICY TO BE ORIENTED TOWARDS JOB CREATION AND INDUSTRIAL EXPORTS.

4. CHANGE IN MEXICO'S POLICY TOWARD INTERNATIONAL ORGANIZATIONS: MEXICO HAS EVIDENTLY DECIDED TO TAKE A MORE ACTIVE ROLE IN INTERNATIONAL ORGANIZATIONS SUCH AS THE UN AND THE OAS. IN LINE WITH THIS NEW POLICY, THE GOM HAS REVERSED ITS TRADITIONAL POSITION OF AVOIDING A UN SECURITY COUNCIL MEMBERSHIP AND WILL ACTIVELY SEEK A SECURITY COUNCIL SEAT IN THE GA 1980 ELECTION. MEXICO ALSO HAS FORMULATED PROPOSALS FOR UN CHARTER REFORM AND WILL MAKE EFFORTS TO ACHIEVE OTHER IMPROVEMENTS WITHIN THE CONFINES OF THE PRESENT CHARTER. THE GOM ALSO CONSIDERS THAT THE RECENT CHARTER CHANGES OF THE OAS HAS SIGNIFICANTLY IMPROVED THAT ORGANIZATION AND PLANS TO BECOME MORE INVOLVED WITH THE WORKINGS OF THAT ORGANIZATION. (CONFIDENTIAL)

5. MEXICO'S DISARMAMENT EFFORTS: (CONFIDENTIAL). MEXICO WAS ACTIVE IN THE DISARMAMENT AREA DURING THE PERIOD, HOSTING PRELIMINARY LATIN AMERICAN AND CARIBBEAN REGIONAL WEAPONS LIMITATION MEETING AUGUST 21-24. ALTHOUGH NO FIRM DECISIONS WERE MADE AT THE MEETING, THE CONFERENCE LAID THE GROUNDWORK FOR FUTURE REGIONAL ACTIONS  
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IN BOTH LIMITING THE TRANSFER OF CONVENTIONAL WEAPONS AND FOR POSSIBLE PROHIBITION OF CERTAIN TYPES OF CONVENTIONAL WEAPONS. MEXICO'S REPRESENTATIVES ARE EXPECTED TO TAKE AN ACTIVE ROLE AT THE GENEVA MEETING ON CONVENTIONAL WEAPONS LIMITATIONS WHICH OPENED AT THE END OF THE REPORTING PERIOD.

6. GOM'S REACTION TO THE RECENT EVENTS IN NICARAGUA: IN A PRIVATE REACTION TO USG OFFICIALS, MEXICAN FOREIGN MINISTER ROEL STATED THAT HIS GOVERNMENT BELIEVED THAT THE ONLY LONG-TERM SOLUTION TO THE SITUATION IN NICARAGUA IS THE REMOVAL OF PRESIDENT SOMOZA. HE URGED US TO HELP TO BRING ABOUT SOMOZA'S FALL BY WITHDRAWING OUR SUPPORT FROM THE GON AND ENCOURAGING DEMOCRATIC DEVELOPMENTS IN NICARAGUA. (SECRET)

7. ROEL'S VISIT TO EUROPE: (CONFIDENTIAL)  
EARLY IN THE REPORTING PERIOD, MEXICAN FOREIGN SECRETARY ROEL VISITED WESTERN EUROPE. ALONG WITH CONDUCTING SOME FOREIGN RELATIONS SECRETARIAT HOUSEKEEPING THROUGH A CONFERENCE OF HIS EUROPEAN PRINCIPAL OFFICERS, ROEL CONFERRED WITH BRITISH AND FRENCH OFFICIALS ABOUT TRADE MATTERS.

ALTHOUGH THE TRADE DISCUSSIONS RECEIVED A FAIR AMOUNT OF COVERAGE IN THE MEXICAN PRESS, PERHAPS IN PART TO JUSTIFY THE VISIT, APPARENTLY NO NEW SUBSTANTIVE AGREEMENTS WERE REACHED BETWEEN THE GOM AND THE EUROPEANS.

8. POSSIBLE ATTENDANCE OF NEW POPE AT LATIN AMERICAN EPISCOPAL CONFERENCE: (LIMITED OFFICIAL USE).  
THE THIRD LATIN AMERICAN EPISCOPAL CONFERENCE (CELAM)

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IS TO BE HELD IN MEXICO OCTOBER 12-28. DURING THIS MEETING ROMAN CATHOLIC CLERGY FROM LATIN AMERICA WILL DISCUSS THE ROLE THAT THE CHURCH SHOULD PLAY IN IMPROVING THE POLITICAL, SOCIAL AND ECONOMIC CONDITION OF ITS MEMBERS. THE MEXICAN CHURCH HAS INVITED POPE JOHN PAUL I TO ATTEND THE MEETING. THE PRESENCE OF THE NEW POPE WOULD DRAMATICALLY UNDERLINE THE CHURCH'S AND THE POPE'S COMMITMENT TO THE THIRD WORLD.

9. HEROIN TRAFFICKER'S ARREST AND RELEASE: (SECRET)  
AFTER MUCH CAREFUL POLICE WORK ON BOTH SIDES OF THE BORDER, MAJOR DRUG TRAFFICKER RODOLFO HERRERA, WHO BELONGS TO A MAJOR CRIMINAL FAMILY BELIEVED TO BE THE LARGEST SINGLE SUPPLIER OF HEROIN TO THE US IN THE WORLD, WAS ARRESTED AUGUST 21. UNFORTUNATELY, THE GOM RELEASED HERRERA AUG. 23, STATING THAT THERE WAS INSUFFICIENT EVIDENCE FOR A CASE AGAINST HIM.

10. DOMESTIC AFFAIRS: POLITICAL PARTIES (CONFIDENTIAL)  
THE PRI HELD ITS NINTH NATIONAL ASSEMBLY AUGUST 10-12

WHERE THEY RATIFIED CARLOS SANORES PEREZ AS PRESIDENT  
AND ELECTED GASTAVO CARVAJAL MORENO AS SECRETARY GENERAL.  
CARVAJAL, WHO WORKED CLOSELY WITH PRESIDENT LOPEZ PORTILLO  
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IN HIS 1976 CAMPAIGN, IS EXPECTED TO PUSH THE PRESIDENT'S  
POLITICAL REFORM PROGRAM WITHIN THE PRI AND HELP KEEP THE  
PRI RESPONSIVE TO THE PRESIDENT. AS A RESULT OF SUPPORT  
HE RECEIVED FROM THE LABOR SECTOR, SANORES PEREZ DE-  
CLARED THAT THE PRI IS A PARTY OF THE WORKERS. HOWEVER,  
THE DEFINITION OF WORKERS IS BROAD ENOUGH TO INCLUDE AL-  
MOST ALL MEXICANS. THE BASIC STRUCTURE OF THE PARTY WILL  
NOT CHANGE, EVEN THOUGH THE LABOR SECTOR MAY SLIGHTLY IN-  
CREASE ITS INFLUENCE WITHIN THE PRI.

11. (LOU). THREE LEFTIST PARTIES - THE PARTIDO COM-  
MUNISTA MEXICANO (PCM), THE PARTIDO DE PUEBLO MEXICANO  
(PPM) AND THE PARTIDO SOCIALISTA REVOLUCIONARIO - MET  
TO EXPLORE THE POSSIBILITY OF A FORMAL MERGER.  
THEY PLAN TO PRESENT A JOINT SLATE OF CANDIDATES FOR THE  
JULY 1979 CONGRESSIONAL ELECTIONS. THE PCM IS THE  
ONLY REGISTERED PARTY OF THE THREE AND THUS WILL GAIN THE  
MOST FROM THE COALITION.

12. GOM PERSONNEL CHANGES (CONFIDENTIAL).  
THE MOVE OF GUSTAVO CARVAJAL MORENO FROM UNDERSECRETARY OF  
LABOR TO BE SECRETARY GENERAL OF THE PRI PRESAGED OTHER  
SUB-CABINET LEVEL CHANGES, PARTICULARLY IN GOBERNACION.

- RODOLFO ECHEVERRIA RUIZ MOVED FROM AN UNDERSECRETARY  
SLOT AT GOBERNACION TO ONE IN LABOR. AT GOBERNACION HE  
WAS THE CHIEF ADMINISTRATIVE OFFICER, WHILE AT LABOR HE  
WILL HAVE THE POLITICALLY SENSITIVE JOB OF ADMINISTERING  
THE GOM'S ANTI-INFLATIONARY WAGE RESTRAINT POLICY.

- JOSE LUIS LAMADRID SAUZA MOVES UP FROM OFICIAL MAYOR  
AT GOBERNACION TO REPLACE ECHEVERRIA AS AN UNDERSECRETARY.  
LAMADRID, A CONFIDANT OF SECRETARY OF GOBERNACION REYES  
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HEROLES, HELPED DRAFT THE POLITICAL REFORM PROGRAM AND  
WILL HAVE ELECTORAL DUTIES ALONG WITH IMMIGRATION.

- FERNANDO GUTIERREZ BARRIOS CONTINUES AS UNDERSECRETARY  
WITH SOME POLITICAL DUTIES IN ADDITION TO HIS PRIMARY  
RESPONSIBILITY OF ADMINISTERING THE PENAL SYSTEM.

- JAVIER GARCIA PANIAGUA, A CONFIDANT OF THE PRESIDENT, MOVES UP FROM BEING HEAD OF THE DIRECTORATE OF FEDERAL SECURITY (DFS) TO BECOME A NEW UNDERSECRETARY RESPONSIBLE, IN PART, FOR SECURITY.

- MIGUEL NAZAR HARO, A CAREER POLICEMAN, BECAME DIRECTOR OF DFS AFTER HAVING SERVED AS GARCIA PANIAGUA'S DEPUTY.

- IGNACIO VAZQUEZ TORRES, A REYES HERODES PROTEGE, MOVED UP FROM HIS DUTIES AS HEAD OF THE OFFICE OF POLITICAL AND SOCIAL STUDIES AT GOBERNACION TO BECOME OFICIAL MAYOR.

THE CHANGES IN GOBERNACION MAINTAINS A BALANCE OF FORCES IN THIS KEY SECRETARIAT.

13. AGRARIAN LAND EXPROPRIATIONS (LOU).

DURING LATE AUGUST THE MEXICAN SECRETARIAT OF AGRARIAN REFORM ANNOUNCED THE EXPROPRIATION OF SEVERAL LARGE LAND HOLDINGS, DIRECTED PRIMARILY AGAINST THE POLITICALLY WEAK. WE DO NOT EXPECT THE EXPROPRIATIONS TO GO MUCH FURTHER THAN THEY HAVE.

14. HUMAN RIGHTS (LOU).

THE COMMITTEE TO DEFEND POLITICAL PRISONERS AND DISAPPEARED PERSONS, WITH THE SUPPORT OF LEFTIST PARTIES AND INDEPENDENT UNIONS, HAS BEEN VERY ACTIVE IN

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PROMOTING A CAMPAIGN FOR A GENERAL AMNESTY BY THE GOM. THE AMNESTY COULD BENEFIT POLITICAL PRISONERS AND EXILES AND SOME REPORTEDLY 370 DISAPPEARED PERSONS. THE COMMITTEE LAUNCHED A HUNGER STRIKE ON AUGUST 28 WHICH IS SCHEDULED TO LAST UNTIL SEPTEMBER 3 TO SUPPORT THE CAMPAIGN.

15. ECONOMIC DEVELOPMENTS: TARIFF LIBERALIZATIONS. (UNCLASSIFIED).

ON JULY 4, THE SECRETARIAT OF COMMERCE LIBERATED AN ADDITIONAL 579 TARIFF CLASSIFICATIONS (FRACCIONES) FROM THE IMPORT LICENSE REQUIREMENT, MOSTLY IN THE AREAS OF BASIC CHEMICALS, DYES AND ESSENTIAL OILS AND AUTOMOBILE COMPONENTS. WITH THESE ADDITIONAL LIBERALIZATIONS, A TOTAL OF 4,117 OUT OF THE 7,372 NUMBERS IN THE MEXICAN TARIFF CODE, OR NEARLY 56 PERCENT, ARE EXEMPT FROM THE LICENSE REQUIREMENT. BY VALUE, HOWEVER, THEY AMOUNT TO LESS THAN 15 PERCENT OF MEXICO'S IMPORTS. THE NEXT MAJOR REVIEW OF FRACCIONES WITH A VIEW TOWARD POSSIBLE DECONTROL WILL TAKE PLACE IN DECEMBER.

16. PEMEX SALE TO SPAIN (UNCLASSIFIED).

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IN JULY, PEMEX OFFICIALS CONCLUDED A FIVE-YEAR CONTRACT WITH SPAIN FOR CRUDE OIL. INITIAL VOLUME WILL BE 25,000 BARRELS/DAY, WHICH MAY INCREASE. PEMEX BELIEVES THIS IS AN IMPORTANT MOVE INTO EUROPEAN MARKETS. AN ELEMENT OF THIS ANNOUNCEMENT WAS THAT THE OFFICIAL SELLING PRICE FOR ALL BUYERS IS NOW \$13.10 PER BARREL, DOWN FROM THE PREVIOUS SELLING PRICE OF \$13.40.

17. INDUSTRIAL POLICY. (UNCLASSIFIED).

SPEAKING IN AUGUST BEFORE THE ANNUAL MEETING OF THE U.S./MEXICO CHAMBER OF COMMERCE, DR. NATAN WARMAN, SUBSECRETARIO DE FOMENTO INDUSTRIAL, AND PROBABLY THE GOM'S CHIEF SPOKESMAN ON INDUSTRIAL POLICY, FOCUSED ON WHAT HE CONSIDERED THE CARDINAL ERRORS IN PAST MEXICAN INDUSTRIAL DEVELOPMENT POLICY. THESE WERE A SIMPLISTIC APPLICATION OF IMPORT SUBSTITUTION POLICIES AND AN INSUFFICIENT CONSIDERATION OF EXPORT POTENTIAL. THE RESULT, HE SAID, WAS HIGH-COST INDUSTRIES, NON-COMPETITIVE WORLDWIDE. FOR THE FUTURE, WARMAN NOTED THAT TWO MAJOR CRITERIA WOULD CONDITION THE INDUSTRIAL DEVELOPMENT POLICY OF MEXICO: A) EXPORT CAPABILITY AND B) RAPID JOB CREATION. IN THIS CONTEXT, HE ADDED, FOREIGN INVESTMENT WILL BE SUBJECTED TO THE SAME CRITERIA AS MEXICAN CAPITAL.

18. NATURAL GAS. (CONFIDENTIAL)

NATURAL GAS HAS CONTINUED TO BE A THORNY ISSUE OVER THE LAST FEW MONTHS DUE TO USG REFUSAL TO ACCEPT ALL OF THE GOM'S TERMS (PRICE OF \$2.60 PER THOUSAND CUBIC FEET, SIX YEAR RENEWABLE CONTRACT, AND AN ESCALATION LINK TO NUMBER TWO FUEL OIL).

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19. PRICES AND MONETARY POLICY (LIMITED OFFICIAL USE).

THE WHOLESALE AND CONSUMER PRICE INDICES INCREASED 1.95 PERCENT AND 1.1 PERCENT, RESPECTIVELY, FROM JUNE TO JULY. THIS PLUS CONTINUED GROWTH IN THE MONEY SUPPLY HAS LED THE BANK OF MEXICO TO TIGHTEN CREDIT BY REQUIRING A FIVE-ZSLLION PESO SPECIAL SIX-MONTH DEPOSIT FROM THE PRIVATE BANKS. THIS IS THE FIRST MONETARY MEASURE IN RECENT MONTHS TO DEAL WITH THE CONTINUING INFLATION PROBLEM. LUCEY

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